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MAYOR, CITY OF AKRON**

**BEFORE THE SUBCOMMITTEE ON FEDERALISM  
AND THE CENSUS  
COMMITTEE ON GOVERNMENT REFORM  
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## **Introduction and Background**

- It is a pleasure to be here today to speak on behalf of The U.S. Conference of Mayors where I serve as President and my city of Akron, Ohio on the very important topic of brownfields.
- 25 years ago, I did not even know what a brownfield was. It was probably a good thing too, as my day job at that time was working in the legal department of the BF Goodrich Company in Akron, which consisted of 50+ buildings built in the 1920's and comprising over 3 million square feet. It was indeed a Brownfield.
- The City, in the mid-1980's assisted BFG in the transition from its former use as the headquarters and main manufacturing center to Canal Place. Canal Place is an adaptive reuse of offices, manufacturing, warehousing, and support services. After losing BFG and its thousands of employees, Canal Place today boasts over 3000+ employees.
- For the past 30 years I have participated in the re-invention of Akron. Over these past 30 years in public office, there has been no tougher obstacle we faced as a community, than the economic transition from a tire manufacturing center with a workforce of 35,000 to a day when all of these jobs were gone. Akron has repositioned itself as a diverse manufacturing, technology, education, and research center. Newsweek magazine picked Akron as one of "America's Top 10 Hot Tech cities a few years ago.
- In 1987 when I became Mayor – the role of the mayor in economic development was mostly as a cheerleader, standing on the sidelines while reacting to the private sector initiatives. Today, I spend more than half of my time in economic development. The question remains the same today "What role should local, state, and the federal government play to facilitate economic development, or more specifically, brownfields redevelopment?" And then the bigger question, "What can those levels of government do to spur the private sector to redevelop brownfield sites?" I wish to address these questions as well as discuss the impediments that remain for brownfields redevelopment.

## **The Role of Local Government and the National Economy**

- Local government has had to become the principal agent of change in maintaining much of America's economic security. Mayors and local government are responsible for facilitating and assisting businesses to retain and create jobs. We are actively recruiting them, working to retain them and facilitate their expansion.
- Cities do not do this alone. Cities are integrated into "metropolitan economies". The Conference of Mayors "Metro Economies Report" shows that our nation is not one giant economy, but really 500 different metropolitan economies – that are

directly impacted by the choices that mayors and their city councils make each and every day.

- More than 83% of Americans live in Metro areas and in the last 10 years, U.S. Metros have generated over 85% of the nation's economic output, labor income and jobs. In the global marketplace, U.S. Metros represent 48 of the world's largest 100 economies. Cities and their Metro areas are where America's business gets done.
- However, we can't get the job done without the proper tools and resources.

### **Brownfield Redevelopment Benefits**

- Regarding the benefits of brownfields - Our most recent Brownfields Survey shows that 121 cities have successfully redeveloped close to 1,200 brownfield sites, consisting of nearly 11,000 acres of land. 627 sites are currently being redeveloped comprising of close to 9,000 acres of land.
- This has translated to the creation of over 117,000 jobs, both development (25,000+) as well as permanent jobs (91,000+).
- These sites have been redeveloped into retail, mixed use, housing, commercial, manufacturing, and recreational uses to name a few.
- While these successes are wonderful, there is an estimated 500,000 brownfield sites that I think could be redeveloped if more tools were created.

### **Obstacles to Brownfields Redevelopment**

- However, there remains some tremendous obstacles. Many cities have done a very good job of developing their "low hanging" fruit or, what we call at the Conference of Mayors, the light tan brownfields. These are sites that are either not that contaminated or in a desirable location or both. These are the sites that businesses are maybe willing to take a chance with developing.
- This however, is only applicable, to communities that have not completely hemorrhaged due to major job or population loss. Those community's are in a different development boat altogether. Those brownfields have more in common with other cities' medium-brown and dark-brown brownfields – ie. those are very common in the "rust belt". These brownfields are more contaminated and/or in not so desirable of locations. These are the tough nuts to crack when it comes to development. These are the sites that a city can assess the land but with the current market conditions, the city is probably going to have to clean up the land themselves as well as try to market the area to a potential developer and definitely provide incentives to lure a developer into the area.

- These are sites that most developers are not willing to touch. These are the sites that need those added incentives in order to make them competitive in the marketplace, especially if one is comparing it to a greenfield site.
- Most developers are not anxious to take a chance on an environmentally-contaminated site. Most need those extra incentives that turn negatives into positives. That is what is needed to attract businesses and developers to these abandoned areas.
- You can also add to the list of troubled properties – properties that the owners of are more interested in “mothballing” than to ever assess them, clean them up or redevelop. These owners have no motivation, whatsoever, to do something with these properties and they will sit on them forever unless something is done. That needs to be changed.

### **What Has Worked and How It Can Be Improved**

- First let me say that the nation’s mayors very much appreciate President Bush’s leadership on the issue of brownfields by signing the Brownfields Bill into law. By providing money to do assessments, cleanup, enhancing state programs, and providing liability relief for innocent developers, has resulted in a tremendous boost in our efforts to redevelop these sites.
- This program needs to continue and needs to be fully funded, especially the money that is targeted towards local governments’ efforts. Representative Turner, you know better than most, that many of these sites have no private sector interest in them whatsoever until a local government steps in and assesses what is on the property and even actually cleans it up themselves. That is why it is so vital for this program to be fully funded to potentially turn these properties around.
- We would also like to see a permanent fix in that Small Business Liability and Brownfields Act of 2002 so that cities are not considered potentially responsible parties (and ineligible for funding) just because they voluntarily took over a property prior to this law being enacted. Once again, as a former Mayor, you know the frustration, when you see a property that has been abandoned for years. Before this law was passed, our only choices were to let this property remain abandoned for another 30 years or take it over and try to do something with it. Cities should not be punished for trying to do something with that land.
- Also on the same note, there is currently a prohibition for administrative costs on the bill. This is just one more burden that hampers a city’s ability to do what is right for their community and it should be changed.
- Other programs that have been successful that we would like to see continue include the Brownfields Showcase Communities program, the Economic

Development Administration (EDA) program when it targets brownfields, and HUD's Brownfields Economic Development program. The BEDI program, however, could be improved if it was allowed to be decoupled from the Section 108 program.

- We have also appreciated the tax incentives that have been offered and would like to see them made permanent. Those incentives, however, haven't spurred as much success as we were hoping. That could be the result that those incentives are still not that well-known.

### **Representative Turner's Bill**

- The one thing that has been missing is a tax incentive that will really spur private sector investment to redevelop these sites. That is why, Congressman Turner, that we are really excited about the tax bill that you have proposed last year and the potential impact it may have. It parallels a similar federal program – the Historic Tax Credit Program, which has seen considerable success in Akron in reusing our older commercial and industrial building structures.
- Your proposed brownfield tax credit legislation would permit one billion dollars annually in deferral tax credits allocated to states according to population. This means that Ohio could get \$36 million in census tracts with poverty in excess of 20%.
- Brownfield tax credits would be allocated for up to 50% of demolition and remediation costs pursuant to an approved remediation plan. This is a crucial component that is necessary to get tracks of land redeveloped.
- Another key component is the incentive for the original responsible polluter to participate. If they contribute no less than 25% of remediation costs, they receive liability release for 100% of the approved plan demo and remediation costs. I know this is probably the most controversial aspect of your bill but the Conference of Mayors supports your efforts.
- The Conference of Mayors has always supported the polluter pays principle. It makes sense to hold the companies who are responsible for contaminating the land to also make them clean up the land. However, as a result, we have many "mothballed" sites. Something needs to be done to motivate the holder of that land to at least assess the property and begin to clean it up.
- Your bill, Congressman Turner, was the first proposal we have seen that recognizes this problem and addresses the issue. Other ideas that we have seen were in Europe where they tax the owner for the optimal use of the site as opposed to the current use. That too, might motivate someone to cleanup a site and put it back into productive use, but I doubt it could get passed in any

jurisdiction. Europe is also unique for the fact that they are not as litigious as we are here in the States. There is more flexibility that is offered in those situations.

- We hope that you will once again reintroduce your bill because it could be a real shot in the arm to spur private sector developers to reinvest in our hardest hit communities. Your efforts with this bill are much needed and much appreciated.

### **Examples of How the Legislation Would Work In Akron**

- In order to address brownfields and positively impact its economic growth, the City of Akron has consistently had to provide the financial resources necessary to affect brownfield cleanup in order to make a project financially feasible to the private sector investors.
- Brownfields remain a tremendous obstacle to economic revitalization of most cities including Akron. Brownfields not only discourage private redevelopment of individual projects but it also discourages reinvestment of surrounding properties. Thus, brownfields has a reverse multiplier effect. Further, they represent the most significant urban blight in our nation's cities today.
- As an example, I would like to demonstrate how Akron could use this proposed legislation had it been available. Advanced Elastomer Systems, a newly formed polymer company was seeking a new world HQ and R&D facility in NE Ohio. To the City's surprise they identified a former BF Goodrich manufacturing building, which was highly contaminated and was without question the worst eyesore in both our Downtown and possibly the entire county. AES's developer could not financially structure a deal due to severe contamination. The City of Akron entered as a partner to cleanup \$3 million in contamination in order to secure this company's commitment. The City issued debt in order to address this critical project-financing gap. If the proposed Tax Credit Bill had been in place at that time, the financing could have been structured to permit the developers to recoup the environmental cleanup source instead of relying on local government.
- Another local example in Akron is the redevelopment of a highly contaminated industrial 8-acre site into a new grocery marketplace. Between the purchase price, environmental contamination, and site preparation costs, the City has expended over \$5 million. The project proceeded only because of the availability of HUD EDI program (the forerunner of BEDI) and the State of Ohio's CleanOhio Program, which contributed \$2.8 million. However, this program is to expire in 2006 and due to the State's budget deficient in all likelihood NOT be renewed. Again, had this proposed bill been available private developers would have been easier to attract to undertake this complex project.
- This proposed bill is extremely important to City's such as ours, as it affords an opportunity to shift some of the brownfield funding from our responsibility to that of the private sector. In this time of economic downturn, municipal budgets are

stretched to and beyond capacity, making it critical to stimulate additional PRIVATE INVESTMENT, which in turn will lead to job creation and long term community reinvestment.

- Finally, your proposed bill presents a unique opportunity for all levels of government to create a partnership that will engage the private sector as an active participant. This bill represents a strong foundation and building block from which economic revitalization and development in our nation's cities can occur.

### **Future Programs**

- In the future, we would also like for you to consider an idea unveiled by the Conference of Mayors called the "Brownfields Redevelopment Action Grant" or BRAG program. The BRAG program is modeled after the former Urban Development Action Grant or UDAG program. For those of you not familiar with that program, it was a means for cities to leverage private sector investment. For every 3-6 dollars raised privately, there would be \$1 of public sector money.
- So, if a city had a commitment from a private sector entity for \$10 million, that city would have approximately \$2 million to enhance that project. This type of "gap" financing can be crucial to making a deal happen. In our survey, 84% of our cities indicated that additional resources are needed besides assessment and cleanup funds. We think this is one means of making that happen in addition to the tax incentive.

### **Closing**

- The Conference of Mayors believes that your proposed legislation will make a tremendous impact on our efforts to redevelop brownfields and we will strongly support your efforts to pass this legislation into law.
- In a time when we should be focusing on job creation, reutilizing resources, and preserving our green space, brownfield redevelopment is the way to accomplish those goals. We need to invest in our Metro economies so as to keep our national economy going and we need to recognize the important role that brownfields can play.
- I wish to thank you for this opportunity to share with you my perspective as Mayor regarding the importance of brownfields redevelopment and to thank you for your efforts to assist us in our efforts in redeveloping these properties. We look forward to continuing to work with you. Thank you.